

# The Capital Budget

## *The Basics - Big Issues*



**Senate Ways & Means Committee**  
**January 19, 2006**

# Today's Work Session will...

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1. Review the Basics of the Capital Budget: How it works, what's in it, and where it's going?
2. Discuss what we get from our capital investment in Higher Education and how else we might finance university and college facilities.
3. Discuss the new K-12 construction policy and what it means for quality of education.
4. Discuss what's happening to the trend of prison inmates and what it would take to stabilize the populations.

# What's So Special about the Capital Budget?

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- **First, it takes three bills to fund most projects in the capital budget.**

# How Many Bills does it take to fund most Projects in the Capital Budget?

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The first bill is the Capital Budget Appropriations Act

This is where agencies are authorized to spend money on capital projects.



***"One. One Bill"***

# Capital Budget Appropriation Act

9	Future Biennia (Projected Costs) . . . . .	\$0
10	TOTAL . . . . .	\$16,838,000

11     NEW SECTION.   Sec. 768.   FOR THE COMMUNITY AND TECHNICAL COLLEGE  
12     SYSTEM

13         Cascadia Community College:     Center for Arts, Technology,  
14     Communications (04-2-693)

15     Appropriation:

16         Gardner-Evans Higher Education Construction

17	Account--State . . . . .	\$3,031,000
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18	Prior Biennia (Expenditures) . . . . .	\$159,900
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19	Future Biennia (Projected Costs) . . . . .	\$32,636,100
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20	TOTAL . . . . .	\$35,827,000
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21     NEW SECTION.   Sec. 769.   FOR THE COMMUNITY AND TECHNICAL COLLEGE  
22     SYSTEM

# Capital Budget Appropriation Act

9        NEW SECTION.    Sec. 759.    FOR THE COMMUNITY AND TECHNICAL COLLEGE  
10    **SYSTEM**  
11        Spokane Falls Community College:    Library Renovation (02-1-331)  
12    Reappropriation:  
13        State Building Construction Account--State . . . . . \$231,625  
14        Prior Biennia (Expenditures) . . . . . \$5,370,375  
15        Future Biennia (Projected Costs) . . . . . \$0  
16        TOTAL . . . . . \$5,602,000

# How Many Bills does it take to fund most Projects in the Capital Budget?

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The second bill is the Bond Bill

This authorizes the Treasurer to sell Bonds.



60 percent!

***"Two. Two Bills"***

# How Many Bills does it take to fund most Projects in the Capital Budget?

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The third bill is the Operating Budget Appropriations Act

This is finally where the General Fund pays the Debt Service on all of the outstanding bonds.



***“Three! Three Bills!”***



# What's So Special about the Capital Budget?

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- First, it takes three bills to fund most projects in the capital budget.
- There is no “carry forward level” or “maintenance level.” It starts out with Zero Dollars.”
- The Capital Budget typically passes with broad, bi-partisan support.

# What's in the 2005-07 Capital Budget?

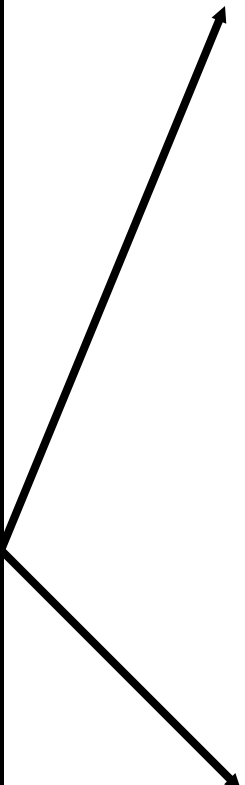
<i>(\$ Millions)</i>	State Bonds	Other Funds	Total	
Higher Education	678	213	890	<b>27%</b>
Common Schools	180	259	439	<b>14%</b>
Corrections	241	2	243	<b>7%</b>
Other	463	1,214	1,677	<b>52%</b>
Total	1,561	1,689	3,249	
	48%	52%		

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<i>(\$ Millions)</i>	<b>State Bonds</b>		Other Funds	Total	
Higher Education	678	<b>43%</b>	213	890	27%
Common Schools	180	<b>12%</b>	259	439	14%
Corrections	241	<b>15%</b>	2	243	7%
Other	463	<b>30%</b>	1,214	1,677	52%
Total	1,561		1,689	3,249	
	48%		52%		

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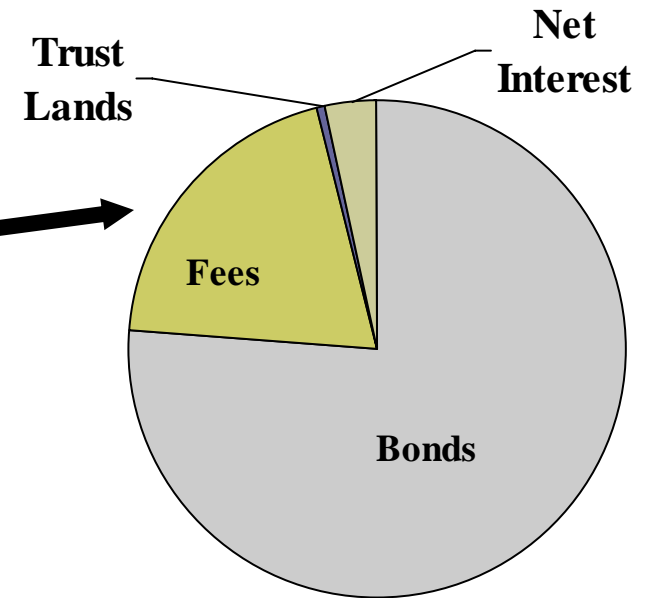
<i>(\$ Millions)</i>	<b>State Bonds</b>
Higher Education	678
Common Schools	180
Corrections	241
<b>Other</b>	<b>463</b>
Total	1,561
	48%



Housing Assistance	100
Water & Salmon	91
Community Grants	80
WWRP	50
Other Nat. Resources	65
Other Projects	77

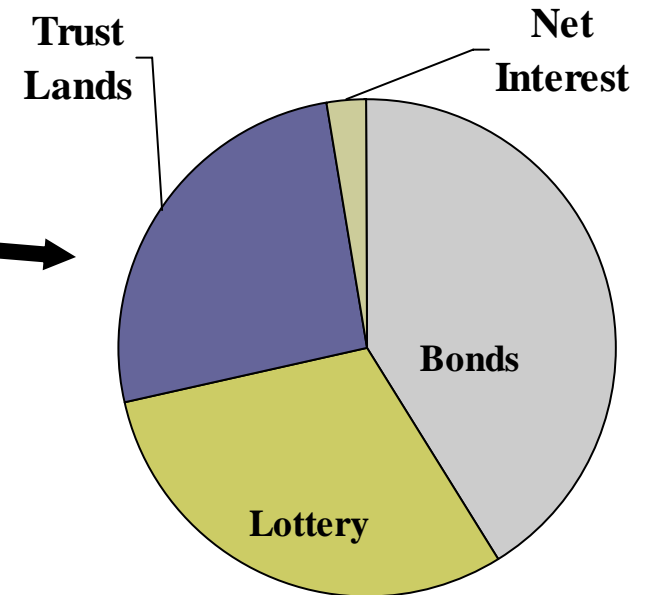
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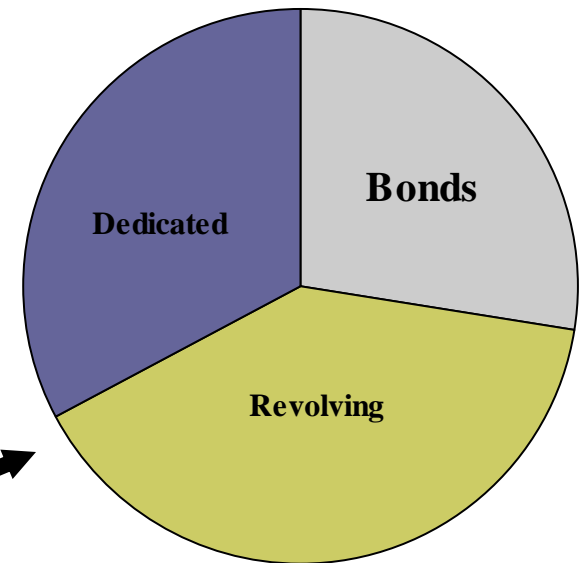
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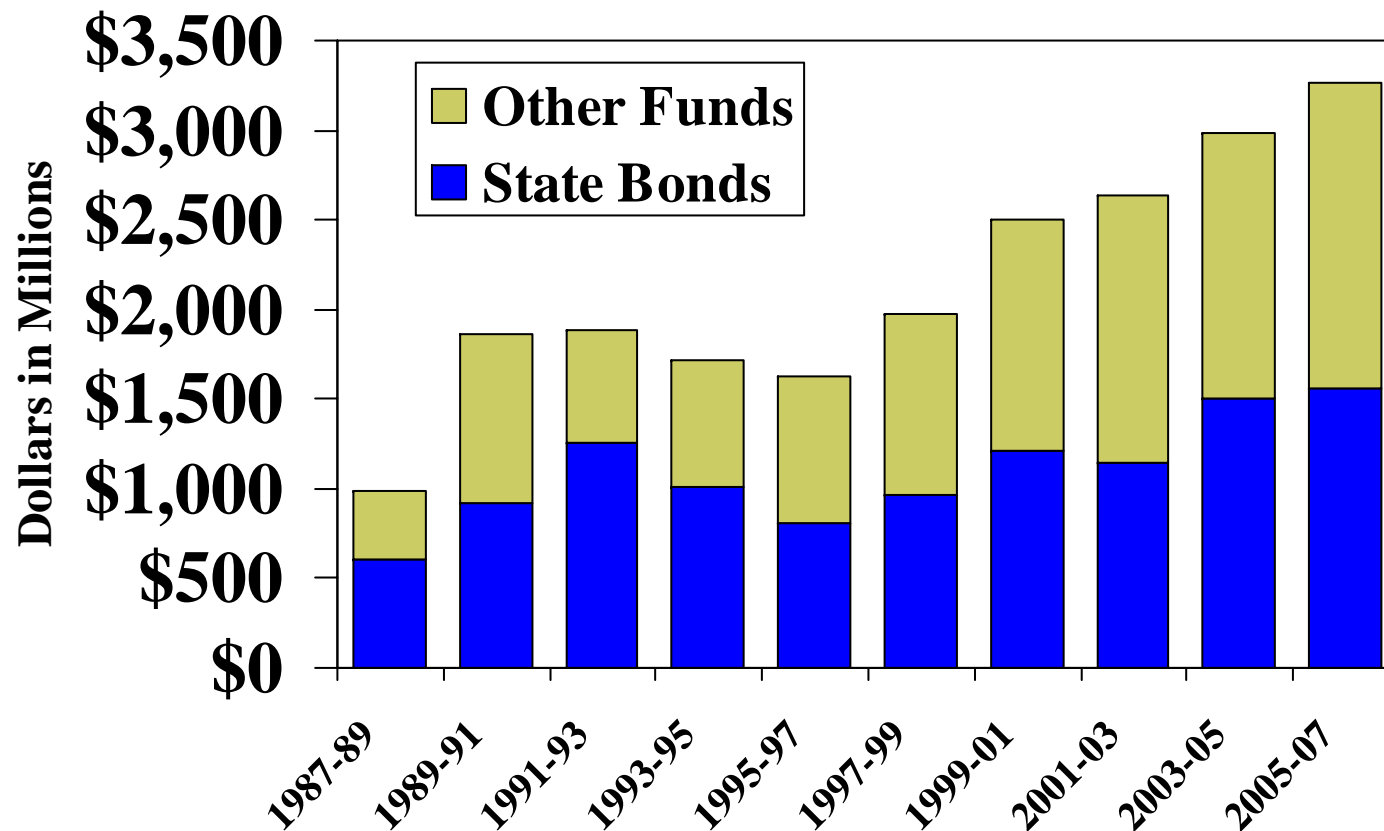


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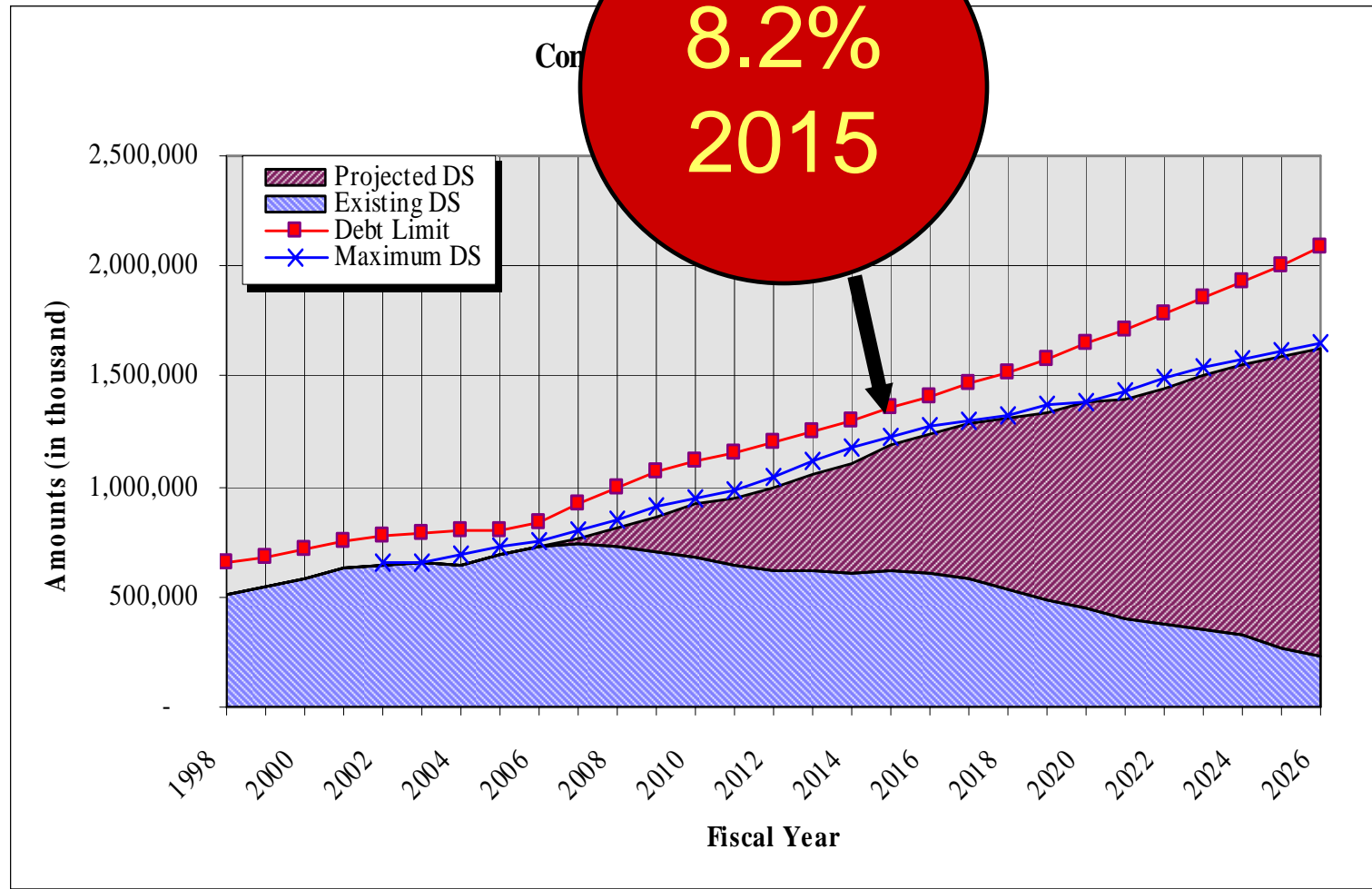


# Where's the Capital Budget going?

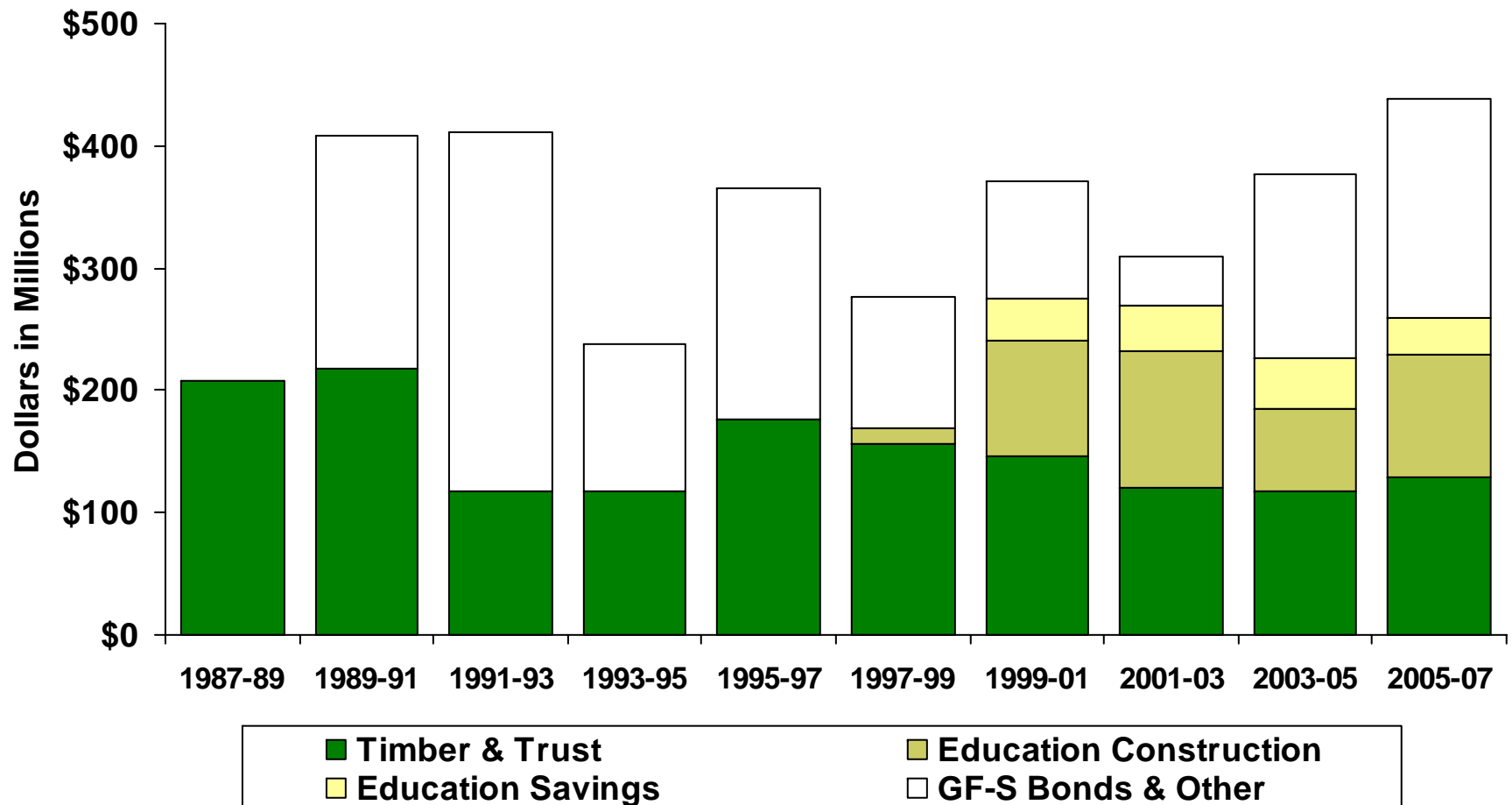




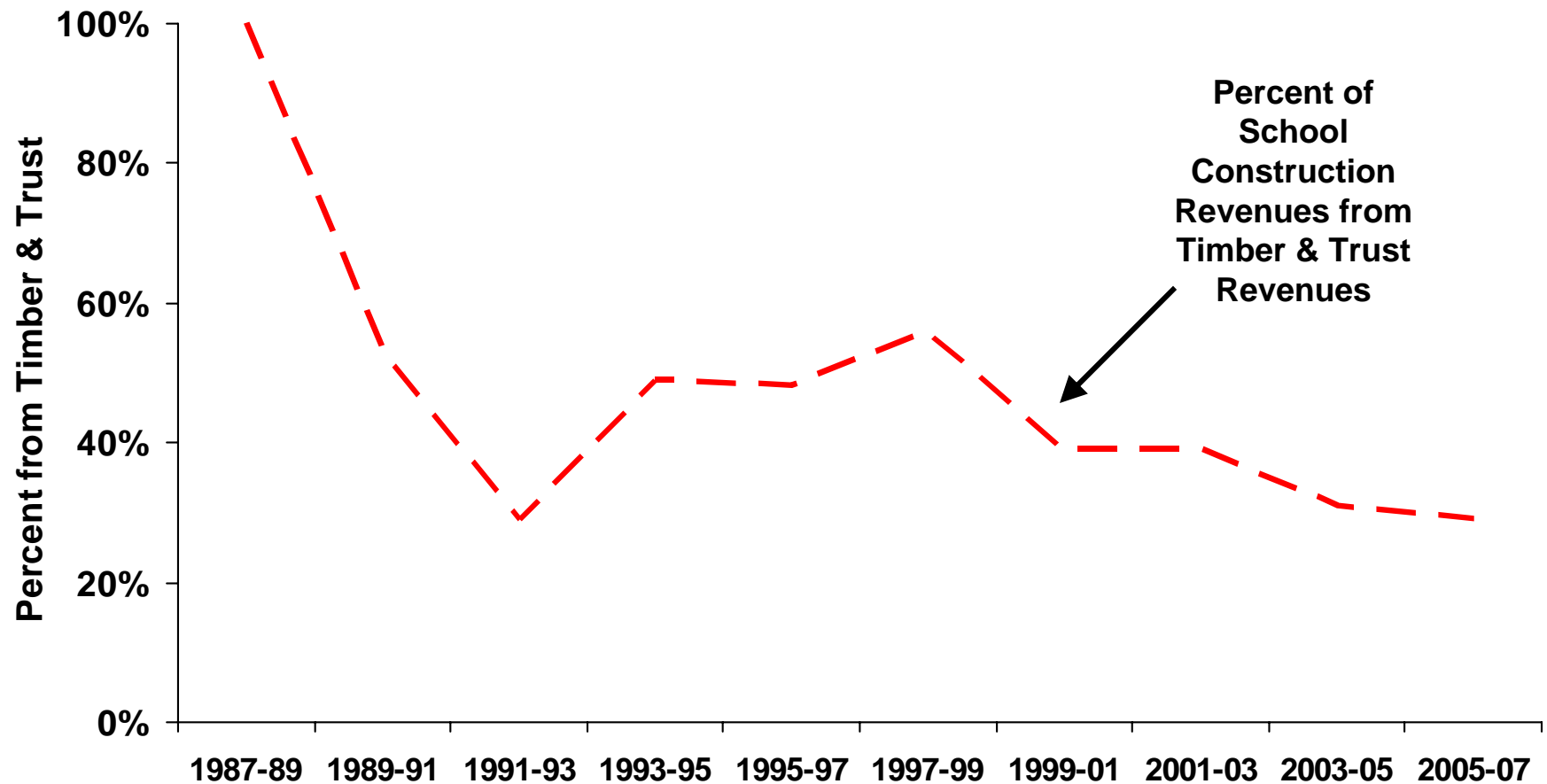
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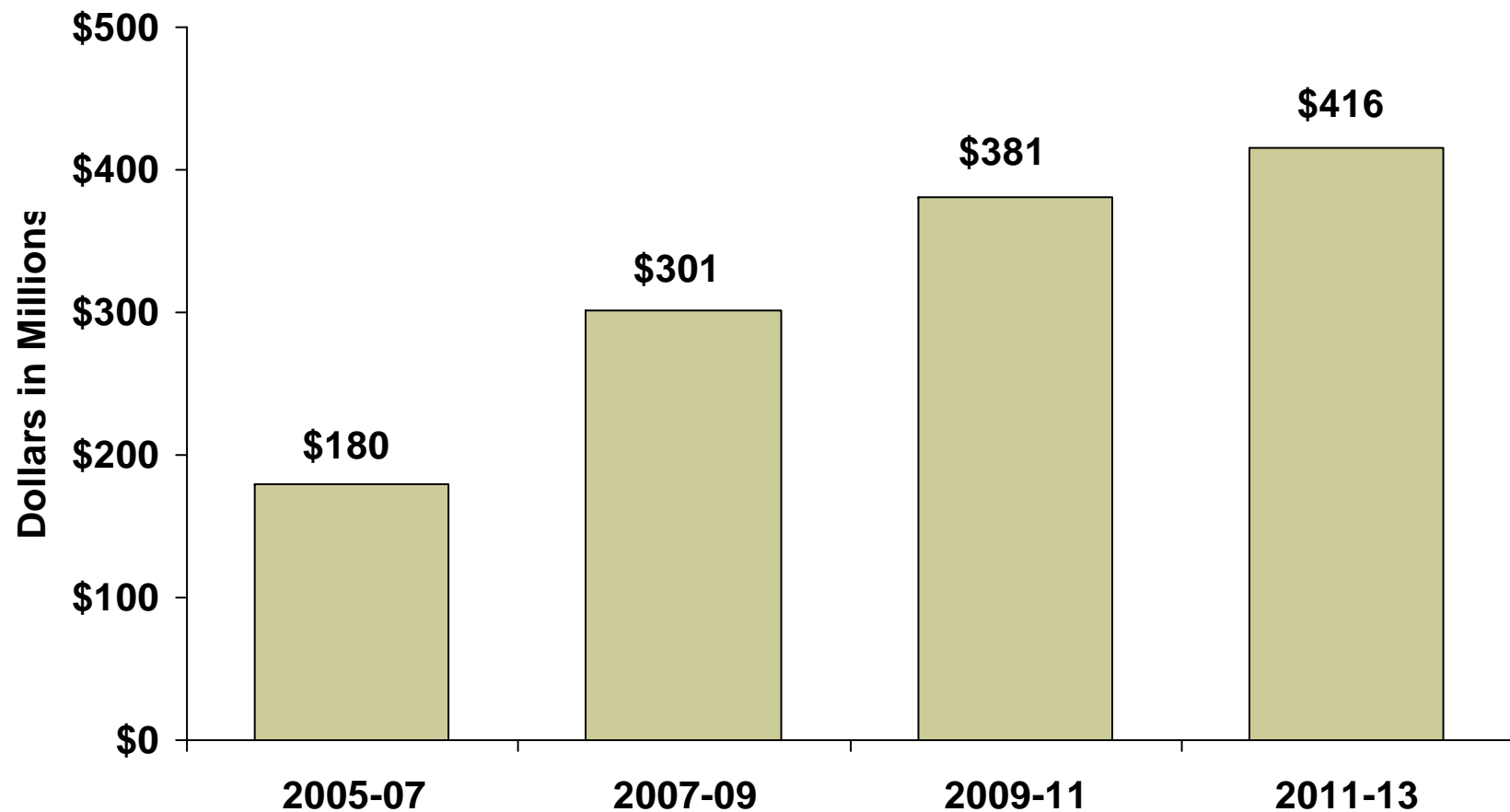
Since 1989, the Legislature has supplemented trust revenue for school construction with other sources.



This means that timber and trust revenues now represent slightly under 30 percent of the revenues for school construction.



As a result of the 2005 enhancements, the G.O. Bonds needed to support K-12 will increase in the future (even with no additional enhancements).



*For purposes of illustration, other K-12 capital revenues were based on forecasted amounts or held constant. G.O. Bond amount includes revenues from the Trust Land Transfer.*

8.8% is not enough room under the constitutional limit for emergencies.

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What are some of your options?

- Eliminate about 2/3rds of grants for housing and community assistance.
- Cut about 2/3rds of bond funding for parks, water and the environment.
- Shift a greater share of the cost of higher education capital to student fees.
- Add incremental prison capacity, but don't build large, new prisons.